

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Public Safety Services
Department of Public Safety and Corrections
State of Louisiana
Baton Rouge, Louisiana

November 21, 2001



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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LEGISLATIVE AUDITOR

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**PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated November 9, 2001**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

November 21, 2001



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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November 9, 2001

**PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2001, we considered the Department of Public Safety and Corrections, Public Safety Services internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements as required by *Government Auditing Standards*.

The Annual Fiscal Report of the Department of Public Safety and Corrections, Public Safety Services, is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on the Department of Public Safety and Corrections, Public Safety Services, for the year ended June 30, 2000, we reported findings relating to untimely deposits and the controls over returned checks. Both findings have been resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration.

Ineffective Internal Audit Function

The Audit Services Section of the Department of Public Safety and Corrections, Public Safety Services, did not conduct a sufficient number of audits to be considered an effective internal audit function. The internal audit function should provide management with assurances that assets of the department are properly safeguarded, internal controls are established and operating in accordance with applicable laws and regulations, and procedures are sufficient to prevent or detect errors and/or fraud in a timely manner. Even though the Audit Services Section did conduct audits within the Office of Motor Vehicles, it did not conduct any audits on the other ten budget units of the department. Considering the department's reported assets (\$44,707,871) and the revenue it collects (\$1,080,119,803), an effective internal audit function is needed to ensure that the department's assets are safeguarded and that management's policies and procedures are uniformly applied.

LEGISLATIVE AUDITOR

PUBLIC SAFETY SERVICES DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS STATE OF LOUISIANA

Management Letter, Dated November 9, 2001

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The department should take the necessary steps to ensure that the Audit Services Section conducts a sufficient number of audits by either reallocating or increasing available internal audit resources or by pursuing other alternatives to accomplish this objective. Management of the department concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Performance Progress Reports Inaccurate

The Department of Public Safety and Corrections, Public Safety Services, has not established adequate internal controls over its performance progress reports to ensure that performance data are reliable and accurate. Louisiana Revised Statute 39:87.3 requires that performance progress reports provide information on the agency's actual progress toward achievement of performance standards.

The review of the mid-year performance progress report for the department disclosed that for eight of 39 key performance indicators tested (20.5%), the performance progress report inaccurately reported actual performance.

These conditions occurred because the department did not place sufficient emphasis on the reporting of its performance data in the mid-year performance progress report for fiscal year 2001. Failure to comply with state laws and regulations concerning performance reporting could result in penalties being assessed against the department.

The Department of Public Safety and Corrections, Public Safety Services, should establish an adequate review function to ensure that performance progress reports are accurate, reliable, and comply with state laws and regulations. Management of the department concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 3).

Missing Funds

The Department of Public Safety and Corrections, Public Safety Services, had \$9,810 of cash receipts and \$28,111 of investigative expense funds that were stolen or reported as missing.

- Cash receipts of \$4,160 were taken from the Office of Motor Vehicles - Reinstatement Office in Lake Charles. The department is still investigating the missing receipts and a suspect has been identified.

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**PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
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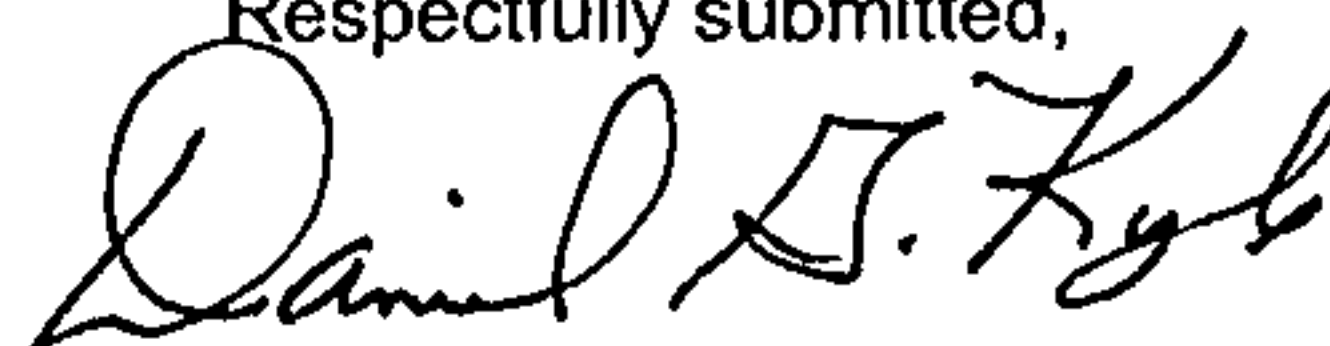
- Cash receipts of \$5,650 were taken from the Office of Motor Vehicles - Reinstatement Office in Baton Rouge. The person who allegedly took the cash from the office has been terminated and was arrested by the Baton Rouge Police Department. In addition, the department was able to recoup \$4,854 of the cash that was taken.
- The department has turned over the results of its investigation of missing investigative expense funds of \$28,111 to the East Baton Rouge District Attorney's Office. An employee suspected of taking the funds has been placed on administrative leave.

Louisiana Revised Statute 14:67 defines theft as the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

In all three cases, the department's internal controls over cash receipts and accountability for investigative expense funds detected that the missing funds were stolen or missing.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action.

This letter is intended for the information and use of the department and its management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

RLT:WDD:RCL:dl

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



Department of Public Safety and Corrections

Public Safety Services

October 17, 2001

DPS-02-219

M.J. "MIKE" FOSTER, JR.
GOVERNOR

JERRY W. JONES
UNDERSECRETARY

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Our official response to the reportable audit finding of **"Ineffective Internal Audit Function"** and corrective action plan is as follows:

We concur with the audit finding that we did not conduct a sufficient number of audits to be considered an effective internal audit function. This is due to the staff reductions that have occurred over the last several years. Additional audit resources are needed. The audit finding should not be read to imply that the audits performed are ineffective. We feel the audits performed are effective. Due to limited internal audit resources, we are not able to conduct as many audits as we would like.


We have chosen to audit the activities with the greatest potential for harm to the department and the state, those where a majority of the revenues are collected, in the Office of Motor Vehicles. The department feels that we do have proper procedures and internal controls in place that are operating within applicable laws and regulations. Specific efforts are dedicated to ensure that the internal audit staff is extensively involved in any procedures that ultimately safeguard the state's resources.

The department has attempted to increase available internal audit resources. We have, in prior years requested additional staffing through the budget process but have not been successful in that effort.

Corrective Action: Prior to FY 00-01, the Internal Audit Section had 3 permanent positions allocated. These position were funded by the Office of Management & Finance, Office of State Police and Office of Motor Vehicles. In the statewide personnel reduction, effective July 1, 2000, one position was lost. This position was vacant at that time and like many other departments, we chose to avoid layoffs and took our mandated reductions by utilizing vacancies. This fiscal year, as in previous fiscal years, our budget request will include an additional position for Internal Audit.

Should you have any questions or need further information, please feel free to contact me.

Sincerely,



Jerry W Jones
Undersecretary



Department of Public Safety and Corrections

Public Safety Services

M.J. "MIKE" FOSTER, JR.
GOVERNOR

JERRY W. JONES
UNDERSECRETARY

October 24, 2001
DPS-02-227

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

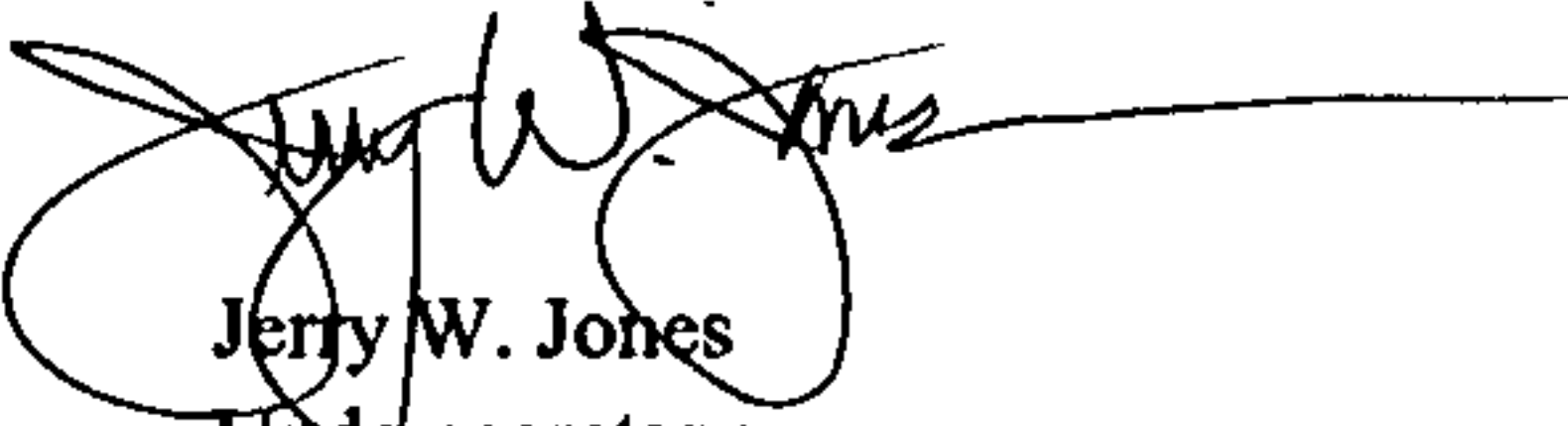
The Following is our official response to the audit finding **"Performance Progress Reports Inaccurate"**, as well as our proposed corrective action plan.

We concur with the audit finding that the department has not established adequate internal controls to ensure the accuracy of the Performance Progress Reports entered in the LAPAS system. The department is very supportive of Strategic Planning and Performance Based budgeting and has emphasized with the budget unit heads the necessity to keep statistics necessary to report progress toward achieving performance targets. However, until now, the department has not developed and implemented checks and balances to ensure the accuracy of the reported information.

Corrective Action: The department has implemented a mandatory review function to verify the accuracy of the performance information before the information is entered into the LAPAS system. In addition to the individual or individuals responsible for developing the statistics and the performance progress report, a reviewer, as designated by the budget unit head, will be required to verify the accuracy and "sign-off"/ "approve" the information before it is entered into the LAPAS system. Another individual or individuals will review the information and calculations for accuracy thereby reducing inaccuracies reported in the performance progress reports. A copy of the memorandum dated October 22, 2001, establishing this required check and balance is enclosed for your information.

If you should have any questions or need additional information, please feel free to contact this office.

Sincerely,



Jerry W. Jones
Undersecretary
Public Safety Services

Enclosure (1)



Department of Public Safety and Corrections

Public Safety Services

M.J. "MIKE" FOSTER, JR.
GOVERNOR

October 22, 2001
DPS-02-225

JERRY W. JONES
UNDERSECRETARY

TO: Budget Unit Heads

FROM: Jerry W. Jones
Undersecretary

RE: Legislative Auditor Performance Indicators

As budget unit heads, most of you are aware of the responsibility you have to accurately report on performance indicators identified in the budget. Key indicators must be reported quarterly and supporting indicators must be reported twice a year, mid year and at year end. Performance based budgeting relies heavily on the accuracy of performance indicator reporting. It is imperative that performance indicators are timely and accurately reported in the LAPAS reporting system.

The Legislative Auditor recently completed an audit of the 2000- 2001 Performance Progress Reports and has found several inaccuracies. Eight of 39 key performance indicators tested (20.5) % were found to be inaccurately reported. It is therefore imperative that we implement procedures to insure the accuracy of information entered into the LAPAS system.

New Required Checks and Balances

Effective immediately there shall be established a mandatory review function to verify the accuracy of the information documented in LAPAS before the information is entered into the system. In other words, in addition to the individual responsible for developing the performance progress report, the Budget Unit heads will need to establish a reviewer or reviewers for each reported indicator to check and verify the accuracy of the information before the performance information is reported in the LAPAS system. The reviewer(s) must have a full understanding of the methodologies utilized to develop the statistical information used to prepare the performance reports and must check and verify the accuracy of that information and any calculations.

The Legislative auditor also indicated that some of the performance indicator calculations used to develop the reports were not retained. It is important to be able to produce the calculations for the auditor to show how the reported figures were developed. Many times it is impossible to recreate the information to "prove" the accuracy of the reported indicators. It will also be necessary to verify that the required checks were actually performed.

By November 15, 2001, you will need to provide the Undersecretary's Office with the name of the individual or individuals who will be responsible to develop the performance indicator reporting information as well as the name of the individual(s) assigned to check the information before it is reported in the LAPAS system. This information will need to be provided for each performance indicator. You will also need to verify that the information has been checked by the reviewer prior to reporting in LAPAS. You can either develop a sign-off form to keep in the performance indicator reporting file or have the reviewer sign off on the calculations before being placed in the performance indicator file.